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ECONOMIC AND INDUSTRIAL AFFAIRS

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11 October 1985

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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BULGARIA

SPECIALIST OUTLINES WAYS TO INCREASE AGRICULTURAL OUTPUT

Sofia RABOTNICHESKO DELO in Bulgarian 19 Aug 85 p 4

[Article by Professor Kiro Kostov, Director of the Institute of Introduction and Crop Resources in the Town of Sadovo: "Both the Present and the Great Future"]

[Text] Winter forms of traditionally spring crops-- new direction for increasing crop production -- which varieties are of the most interest in practice?

At the Varna conference in 1984, we undertook the task of establishing the agroecological approach to farming. That is to say that, in determining crop structure, we would give an account of the soil and climatic factors that are quite varied in the different geographic regions and even in the different agroindustrial complexes. A basic condition for the successful solution of this task was the enrichment of crop structure (and eventually crop varieties) so that in each microregion those crops would be cultivated for which the conditions were most favorable and they would yield the maximum production per unit of land.

Little rainfall and high temperatures in the country during the summer months create exceptional difficulties for raising spring crops. In several regions, particularly in southern Bulgaria, this is impossible without irrigation. Even then, the consumption of water for rice, vegetables, orchards, etc., has reached record heights, as a result of which there is not enough water for such important crops as alfalfa, corn for flour and silage, etc. This forces us not only to look for new systems for effective and economical use of water, [but also] to apply scientifically based agrotechnology to the total destruction of rival weed species, the correct system of fertilization, mulching and reduction of soil cultivation, including technology for raising crops without cultivation.

We must not forget that Bulgaria is one of the last places in Europe that has guaranteed natural sources of water for agricultural purposes. Even so, temperatures during the summer, and even during May, while favorable for the growth of plants, call for better supplies of water. Consequently, as we

take into account the salient features, the order of the day is to look for new solutions that are of key importance for increasing crop production.

A direction with a consolidated present and a great future is, I believe, the rapid introduction into production of winter varieties of a number of food and fodder crops that are traditionally spring crops in our country. I am referring to varieties that have been selectively formed to ensure record yields of crop biomasses and grain per acre.

Considering the successes of the world selection and our selection, and taking into account the peculiarities of the climate in the country, during the past four years we have been researching, investigating and rapidly reproducing winter varieties of fodder peas and ordinary peas, broad beans and oats for fodder (fine-grained), ordinary (spring) vetch and lentils. Hundreds, and in some species thousands, of varieties of forms found in the gene bank were tested for winter resistance by provocative sowing in autumn, and some were tested for cold resistance in refrigerated rooms. We selected a number of winter varieties which we tested by competitive examination for both yield and quality of the final product. We rapidly began to reproduce those which met our demands; for some we purchased a licence and now we have available a satisfactory amount of seed which we pass on to interested complexes for rapid reproduction.

Of particular interest for practical purposes are the pea varieties No 11 and No 12 ("Mir"), both recognized by the State Commission on Varieties. The first is a subspecies of (ordinary) garden pea. In southern Bulgaria it matures during the first 10 days of June. With good care, in an experimental setting it produces 400 kg of grain and more per quarter acre, and under production conditions about 300 to 320 kg. The variety is cultivated and harvested (preferably sorted) by the technology available in the country. With pea No 11 we shall be able to solve successfully the problem of protein shortage in swine breeding and poultry farming.

For this autumn we have secured significant quantities of seeds of variety No 12 which is a subspecies of fodder pea ("Arvenze"). The plants reach a height of 150-160 cm. The variety is notable for satisfactory winter resistance, high productivity and considerably early maturity. In southern Bulgaria, hybrids of this variety are ready for hay-mowing around 15-20 May and the grain is ripe around 10-15 June. In experimental conditions, hybrids of pea No 12 with suitable cereal crops yield 6-7 tons of green, high-protein biomass per quarter acre and 4-5 tons in production settings. A very valuable quality, which predetermines the great interest in this variety, is its high productivity when cultivated for seed production. It is well known that the chief reason for the unsatisfactory distribution of fodder peas in the country to date is due to the low reproduction coefficient of the varieties used. With the approval of pea No 12 ("Mir") the necessary conditions have been created for the total satisfaction of the country's needs in seed. And thanks to the hybrids with winter oats, triticale, wheat and barley we shall overcome the protein shortage for ruminants.

Cultivation of winter varieties of fine-grained fodder broad beans produced from the world selection provides great opportunities for solving the problem

of protein shortage. Under conditions prevailing here, during years with normal rainfall, many of them ensure over 400 kg of high-protein grain per quarter acre. Broad beans are cultivated with simplified techniques and technology available in the country. They are harvested in the middle of July. In addition to grain, broad beans are a suitable component for winter wheat and leguminous hybrids.

In the institute, we are also rapidly reproducing high-yield varieties of winter oats. In 1984, some of them yielded over 600 kg of grain per quarter acre in an experimental setting, but the yield was much smaller this year due to unfavorable conditions. The return to oats, but on a different basis, is scientifically based and exceptionally effective in practice. In keeping with the demands of agroecological methods, the new high-productivity winter varieties will be welcomed in the foothills where the soil is naturally less fertile. The same is true for the winter forms of ordinary vetch.

Of definite importance for the successful solution of the fodder problem are the low alkaloid and nonalkaloid varieties of variegated [zaychina] winter rape, etc., which are also the objects of research and rapid reproduction. Our program foresees that provision of the necessary seeds for the agroindustrial complexes will be guaranteed for peas this year, for broad beans next year, for oats in 1987 and for ordinary winter vetch in 1988.

I believe that the new direction for bringing part of the crop production in the country onto a "winter" basis is of key importance, economically and agronomically, for the most effective and definitive solution to the fodder and protein problem, both from the point of view of bulk and concentrated fodder.

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CSO:2200/92

BULGARIA

ILLEGAL FOREIGN CURRENCY DEALS EXAMINED

Sofia NARODEN STRAZH in Bulgarian 24 Jul 85 p 3

[Interview with Senior Scientific Associate Colonel Simeon Bochev, candidate of juridical sciences: "Forbidden Deals"; date and location not specified]

[Text] At the present stage of our economic development, foreign currency is assuming increasing importance and the problems of foreign exchange planning and balance are the target of particular attention in a number of party and government documents. The social danger of this category of economic crimes and of illegal trade is high. This danger substantially increases during the active resort and tourist season. With a view to assisting the militia personnel in their struggle against this phenomenon, an editor requested Senior Scientific Associate Col Simeon Bochev, candidate of juridical sciences, to explain some problems related to penal and sociopolitical characterization of such crimes.

[Question] Can you indicate the similarities of foreign exchange crimes and illegal trade?

[Answer] From the penal-juridical viewpoint, these are crimes against our socialist economy, stipulated in Chapter VI of the NK [Penal Code]. Foreign exchange crimes are penalized as per Article 250 and illegal trade or, as it is also known, speculation, according to Article 233. The commission of such crimes affect substantial state and public interests in different yet related areas of economic activities. Foreign exchange crimes violate the foreign exchange system of the country and respectively, the state foreign exchange monopoly. Speculation harms domestic trade.

[Question] What do foreign exchange crimes consist of?

[Answer] In the majority of cases it is a question of forbidden deals (purchase-sale, barter, gifts, loans, etc.) as well as a variety of activities the object of which is foreign exchange valuables and, above all, foreign and Bulgarian currency, precious metal goods, imported commodities, etc. The crime as per Article 250 of the NK may be expressed also as illegal passing of undeclared foreign exchange valuables across the border. The penalties stipulated by the law are strict: a fine which may go as high as 4,000 leva and deprivation of freedom for no more than 6 years. The sentenced individual may mandatorily resettled for a period from 1 to 3 years. The object of the

crime is confiscated by the state or, should it be unavailable or expropriated, the culprit must compensate for its value.

If the foreign exchange values are under 500 leva, the penalty is a triple fine administratively levied.

[Question] What is and how is speculation punished?

[Answer] This means essentially private forbidden trade activities involving a variety of mass consumer goods, including agricultural products. Those who purchase without proper permit, with a view to selling or who does sell commodities purchased for such a purpose is fined no more than 500 leva or deprived of freedom for no more than 1 year or, in some cases, no more than 3 years. The goods subject to this deal are confiscated.

Judging by the stipulated penalties, is the social danger of foreign exchange crimes relatively greater?

[Part missing]

The danger of this category of economic crimes may be reduced essentially to the following:

The foreign exchange crimes reduced to a certain extent income in foreign currency earned by the Bulgarian National Bank. Instead of exchanging their currency at the bank, according to the official rate of exchange, foreigners visiting the country purchased Bulgarian currency "on the black market" at a price which is lower by several hundred percent. Thus, their stay in Bulgaria or the goods they purchase in our stores become cheaper by several hundred percent and, respectively, the income earned by the bank is greatly reduced.

The smuggling of significant amounts of Bulgarian currency affects its international reputation.

Foreign currency crimes are frequently preceded by or intertwined by other criminal actions such as, for example, smuggling, official misappropriations, thefts, document falsifications, bribery, espionage, etc. In a great variety of variants, they could lead to reasons for crimes and means of preparing for and committing them, as well as illegal earnings. Foreign exchange crimes are particularly frequently combined with illegal trade.

With a view to acquiring foreign exchange values at advantageous conditions, some of our citizens established criminal contacts with foreigners, who use this fact for purposes of espionage and ideological subversion. Involving people in seemingly "disadvantageous" deals is a tried means of recruiting agents by foreign intelligence, including in the area of economics.

In a number of cases foreign exchange crimes are a particular conduit of bourgeois influence and a source of misinterpreted ideas concerning the Western way of life and groundless negative assessments of our reality.

Criminal violations of the foreign exchange regime and speculative trade lead to the appearance of the so-called "black market" (in purchasing and selling foreign exchange, gold items, or imported or scarce goods), which have a corrupting influence, particularly on some young people, thus leading to the appearance of unrealistic needs, unhealthy tastes and fashion trends. On the other hand, some people gain the possibility of [end of article missing].

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CSO: 2200/186

BULGARIA

CHOICE OF SECOND CROPS MUST BE DECIDED BY FARMERS

Sofia POLITICHESKA AGITATSIYA in Bulgarian No 14, 1985 pp 19-22

[Article by Khristo Sharlopov: "Concern for Second Crops As for the First!"]

[Text] The discussion is still continuing as to whether it is profitable to plant second crops after harvesting barley and wheat and is that not a waste of forces and funds compared to minimal or even totally absent economic benefits.

The climatic characteristics of the country prove that July and August are dry months and that normal harvest is possible without irrigating the second crops. Although this is known, every year there is an insistence on sowing crops over large areas. What are the results? Some people raise crops while others merely report the number of decades of land planted. For a number of years beans have been planted in Pazardzhik Okrug almost entirely as second crops and the yields have been good. Plovdiv Okrug relies a great deal on corn as a second crop for providing the necessary fresh feed for the livestock. With the help of direct sowing, the APK [agroindustrial complex] in Pomorie has raised corn for grain as a second crop.

What then?

I deliberately asked the question as follows: for or against? More accurately, we should say the following: second crops require as much care as the first. Furthermore, if we wish to obtain a normal crop, the care should be even greater, for the period during which such crops are raised suffers from low air humidity and insufficient soil moisture.

But why then should we plant such crops and why have higher production expenditures? Because in terms of per capita land cultivation we are in one of the lowest places in the world, because we have no virgin land to plow and, unfortunately, essentially because of human neglect, every year the size of arable land in Bulgaria declines. Yet the need for agricultural products is increasing with every passing year. We must develop the type of agriculture which will enable us to obtain higher output per unit of area.

Important Reserve

The most accurate way of formulating the question would be the following: Are we doing everything necessary to obtain the highest possible yields from second crops? The answer is negative, for in a number of areas second crops are considered a task issued "from above" and is carried out without any internal conviction. Quite frequently, it is indeed set for "accountability" purposes, regardless of the conditions prevailing in the corresponding areas, such as availability of irrigated areas, available water, etc.

The proper application of the economic approach and its mechanism requires of the farmers to assess themselves where to plant what in order to meet the mandatory requirements of the state plan and their own needs. They are the persons most interested in extracting the maximal amount of crops from the land. This year, because of the drought and high temperatures, the harvesting of autumn crops began 10-15 days earlier than normal. Against the background of the unpleasant situation with the barley and the wheat, such an early harvest offers a good prerequisite for sowing and raising second crops. Nevertheless, this year as well some okrugs are showing a restraint. A number of row sowing machines for direct sowing may be found throughout the country. They could be used for sowing crops on tens of thousands of decares daily. This, however, is not being done. Why this restraint? Reference was made to weather forecasts, according to which no precipitation was expected in July and August....

Justified Economic Risk

Such risk must be mentioned once again. It was claimed that it was risky, given such a forecast, to plant second crops on nonirrigated areas. But then is there any crop without a risk? Even in the case of the winter crops, which have a long vegetation period and make use essentially of the winter and spring moisture, the risk of drought is quite high. This year's example is indicative. Does this mean that we should not sow wheat and barley? Of course not. So far we remain almost helpless in the face of hail. We know that hail destroys some crops entirely. Nevertheless, we keep sowing them.

Last winter was cold and so was spring and many people expected all crops, including vegetables, to be slow in their development. However, it was precisely the opposite that happened. By the end of June, the thermal part of the year was evened up. What about precipitation? We are still short but there has been no case of imbalance on an annual basis. Such was the case in 1968 and in other years, and even on nonirrigated areas good second crop harvests were obtained.

The question is to evaluate the degree of the risk. This year it is less, and this is an important prerequisite for the sowing and cultivating of a larger number of second crops. Such was the approach taken by the farmers in Veliko Turnovo Okrug. They were the first in the country to begin the harvest and undertake the sowing of second crops, clearly aware of the fact that in this year's conditions this was one of the main reserves for compensating losses and procuring adequate animal feed. People with experience know that at the

beginning of July over tens of thousands of decares the corn was already promising a good crop. Such was the approach of the farmers in Burgas Okrug who, following the example of the APK in Kameno, adopted sowing implements which they attached to the grain combines and, as they harvested, also planted their second crops. They thus gained hours and days and use the available moisture, for which reasons the seeds germinated rapidly.

The question of what crops to be planted after the wheat and the barley is a different matter. In this case formalism is continuing to cause a great deal of harm. There is still an aspiration to report that the stipulated decares have been planted in crops, regardless of the type of crop which could yield the best possible results. Between the beginning of July and the first frosts we have between 90 and 120 days with temperatures entirely adequate for early and medium-early corn hybrids to reach their milk and milk-wax stage of ripening. By mid-July the weather is suitable for silage corn and at the beginning of August, for mixed spring peas and oats or mixed oats with sunflower. The selectioneers are suggesting other feed crops as well, such as winter rape and amaranth, which could be planted by the end of July and the beginning of August.

We have discussed so far one side of the problem of second crops--the economic. This problem has another, no less important aspect. In the first 4 years of the five-year plan our agriculture continued to develop at a stable pace; bearing natural conditions into consideration, the year 1982 alone was considered by the specialists normal in terms of agricultural production. This fact indicates, yet once again, the tremendous reserves of agriculture and the great advantages of the socialist farming system.

This year's results will determine the way the five-year plan will end in the area of agriculture. Unfortunately, the year proved to be extremely adverse. It is no easy matter to compensate for losses. However, it is not impossible. Agriculture is very flexible. If weather conditions are adverse for some crops, they may turn out to be quite favorable for others. Such is currently the case. The dry spring adversely affected autumn crops but created conditions for a very good development of spring crops, which can thus sink deeper roots and become more drought-resistant. Never before have we had in our country such well-developed spring crops as we had at the beginning of July. This is a prerequisite for high yields. A good cherry and peach crop is expected and, if properly used, could yield additional income. The most important additional reserves, however, is that of the second crops. The task is to plant 3 million decares in second crops and precrops. This is entirely possible in our agriculture. This area must not only be planted but, above all, such crops must be properly raised for past experience indicates that in a number of areas they are sown after which they are ignored and no results are achieved. Whereas in other years a good first crop ensures the production process both in physical and value terms, today this is not the case. That is why the second crops are the greatest current reserve for meeting the annual planned assignments in terms of volume and value. This is the greatest political meaning of the task involving the second crops. We know that we shall have less grain. Unless we ensure adequate silage for ruminants, there is a real danger that their productivity will drop. This will adversely

affect the market. If we fail to plant precrops on about 1 million decares, the animals will be short of feed next spring.

What must be done now?

Each okrug and agroindustrial complex must make a real assessment of possibilities and planned second crops in as large an area as possible. Essentially nothing is lost in sowing second crops, even if weather conditions are adverse. Although insufficient, according to the forecast, the precipitation will create conditions for growth and, with greater further care, for the normal development of the crops. The main thing is for this necessity to be realized by the brigade labor collectives. It is the brigades which resolve problems of agricultural production and they determine today the implementation of the great economic and political task of sowing and raising the second crops. The party organizations must carry out their duties in full: they must convince every single worker in the brigade of the need for and usefulness of the second crops. However, this alone will not suffice. Every production worker or group of workers must be given a specific assignment and entrusted with specific areas to be cultivated on a piece-rate basis. Earnings must be tied to results. In such a case the people will find both the time and means to sow second crops and to achieve good results.

This is required by the interests of the country this year. If we achieve an upturn toward second crops this year we shall enjoy successes in other years as well.

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CSO: 2200/186

GERMAN DEMOCRATIC REPUBLIC

CREDIT RESTRICTIONS LIMIT POTENTIAL FOR INNER-GERMAN TRADE

Munich SUEDEDEUTSCHE ZEITUNG in German 22 Aug 85 p 21

[Article: "No Euphoria in Trade with the GDR. 300 Million Accounting Units of New Credit Line Already Used."]

[Text] In contrast with the German Association of Chambers of Commerce, the Ministry for Economics warns against too much euphoria regarding possibilities of development in inner-German trade and business prospects for the Leipzig Fall Fair to take place in early September. "The economic opportunities of FRG exhibitors are difficult to estimate," states a report just published by the ministry on the economic background of the fair, in which 550 exhibitors from West Germany and West Berlin will participate from 1 - 7 September.

As a reason for this, the continued restrictive investment policy of the GDR is being cited and, their effort to utilize existing installations more intensively. At best, there might be some opportunities for Western exhibitors because the GDR had lagged behind plan targets during the first half of the year, despite achieving noteworthy increases in efficiency. But in general, the GDR is aiming at improved economic efficiency through technical, scientific and/or organizational innovations, without actually expanding the use of production factors.

The Ministry for Economics also points out that the growth rate of inner-German trade during the first half of the year (+ 7 percent on a volume of 8 billion accounting units with generally balanced sales and purchases) so far has only resulted in making up for the stagnation of the previous year. This rise should not be overvalued, since it is based on a lower starting point. However, there was at least a return to the growth rates of former years, and there are good indicators for the second half of the year. Over-all, an exchange volume of 16 billion accounting units for all of 1985 can be expected.

According to data from the Ministry for Economics, 300 million accounting units of the credit line, newly raised to 850 million in inner-German trade (swing), have already been utilized, while it had been only 100 million accounting units at the turn of the year. It is considered unlikely that the GDR will use its foreign currency credit balance--by

now grown to \$ 4.5 billion--for purchases in inner-German trade. It can rather be assumed that it will be used for rescheduling other, short-term obligations. According to figures of the Bank for International Settlement (BIS), GDR foreign debts at present amount to almost \$ 8.4 billion.

At this year's Leipzig Fair, the federal government will be represented by Dieter von Wuerzen, state secretary in the Ministry for Economics, who will meet there with GDR Minister for Foreign Trade, Horst Soelle. Bavarian minister-president Franz Josef Strauss and several Land economics ministers and senators have also announced their attendance. Strauss will probably talk to GDR head of state and party chief Erich Honecker who, in turn, is expected this time to visit the Hoechst AG exhibit on his tour of the Fair.

9917

CSO: 2300/524

GERMAN DEMOCRATIC REPUBLIC

SUCCESSFUL OPERATION OF PRIVATE CARPENTER'S SHOP DETAILED

Frankfurt/Main FRANKFURTER ALLGEMEINE ZEITUNG in German 13 Apr 85 p 13

[Article by Gerd Zitzelsberger datelined Preilack, GDR, in April: "In the GDR, Also, 'Trade in Hand Finds Gold in Every Land'. A Visit with a Carpenter in Niederlausitz"]

[Text] The phone rang three times in one hour, and one customer came in person, with a bottle of "Nordhaeuser Doppelkorn" grain spirit in hand, grasping the master carpenter in a strong and friendly fashion. But it was no good--Frau Bubner had to tell all four of them that, unfortunately and with the best of intentions, it could not be done by the end of the week. She also does not fix a date, it will probably take a while yet.

Her husband, a relaxed man in his mid-fifties, heads one of the small private workshops which employ just about 3 percent of the work force in the GDR, and so he is a person always in demand, almost a king to his private customers. The carpentry shop in Niederlausitz, 15 minutes by car from Cottbus where the master carpenter, two apprentices and one craftsman make doors and windows, is one of the few in the bezirk which in the past were not absorbed into a "Trade Production Cooperative" and remained independent instead.

Of course, regarding prices in the GDR, one must always specify what one means. There are 1966 prices which are still in force for single family home construction and so-called "persons with needs;" then there are 1978 prices, and as of 1986, there will again be new ones. Bubner says that on the basis of the old prices, the carpentry shop must have an annual turnover of 50,000-60,000 Marks; on the basis of the new prices, between 150,000 and 200,000. Accordingly, there are different billings and prices for material from the "Purchase and Delivery Cooperative" with which private artisans in the GDR are associated. In the case of Bubner, the tax rate is a flat 7 percent of turnover; once total wages exceed 12,000 Marks, however, the tax also grows progressively. We didn't even ask if it is calculated on the basis of old, new, or some intermediate prices; socialism definitely is not simple.

Of course, the master carpenter could hire a third apprentice--for years there has been no lack of applicants with private artisans; but even the four of them step on each other's feet in the two rooms of the workshop. New mortisers and saws would not hurt, either, some of the machines dating back to 1920 when the workshop was built. In other words, they are older

than the carpenter himself. "But what is delivered by Poland and Bulgaria is not all that much better," and at the same time costs a fortune.

The Bubners, whose workshop is roughly of average size, have a roomy house, a "Trabant" stands in the yard, and a larger Russian car is in the garage. "It isn't new, only freshly painted, for Sundays," Heinz Hubner says. For tax purposes, the master carpenter has an operating profit of not quite 1,500 Marks per month, about one-third higher than average earnings in construction, and probably a good bit more than the salaries of the architects according to whose construction plans the carpenter works. Of course, there is also "a little something on the side," but it would be immodest to ask about that. He says with a smile, "it is hardly a secret that work after hours is booming." Naturally, it is covered by regulations on maximum hourly wages, but nobody expects them to be observed.

Just how this gray market operates can be seen by the demand: one must wait up to one year for a new front door by Master Bubner. A packet of coffee or something alcoholic can't hurt during this waiting period to be remembered by him. The door will cost between 350 and 1,000 Marks, depending on workmanship and type of wood. Of course, the carpenter cannot demand what he pleases (or at least, he can't write it on the invoice); prices are established uniformly for the entire bezirk.

The workshop was too far off the beaten track, and if Bubner's father had joined the Trade Production Cooperative at the time with his machinery, not a single carpenter would have been left in the area. Despite the fever of centralization, this was understood and so, today, the carpenter is his own master within the limits imposed by socialism: naturally, a private artisan also has a plan target, but if he is industrious and a bit skillful in procuring materials, he can get a lot done on the side.

Private trade, more tolerated than loved by GDR ideologues, so far has proved to be irreplaceable for small production and general needs. Meanwhile, many a staunch comrade again buys his rolls from a private baker, because there they taste better.

9917

CSO: 2300/524

HUNGARY

AILING AGRICULTURE TO RECEIVE STATE SUPPORTS

Budapest MAGYAR HIRLAP in Hungarian 14 Sep 85 pp 1, 6

[Article by "gador": "Positive Changes Affecting All of Agriculture; Investment Conditions Improve, Supports Increase; Jeno Vancsa on the Seventh 5-Year Plan"]

[Text] "Serious world-wide economic difficulties have characterized the past 5 years during which we have tried to put agriculture on the intensive growth course," said Minister Jeno Vancsa at the press conference he held yesterday in Parliament. "While the volume of agricultural export increased significantly, the deterioration in the terms of trade was extraordinarily large. If we could export this year at the same prices as in 1983 our income would be greater by 600 million dollars.

"We have had to realize new priorities in this period: competitiveness and the effort to create products in the high quality category have become primary. Unfortunately the results in this area are not at all as great as they might be. The other determining factor is the spread of technologies which save on material and energy, in a word, technologies which reduce costs. The results in this have been more significant; a large part of the operations were capable of adapting to the changed circumstances. We can attribute this to the fact that the economic foundations were strong and the intellectual capacity at a high level," the minister said by way of introduction.

"So far the annual 2.5-percent rate of growth prescribed in the national economic plan has been met, although this year a shortfall can be found in some of the branches. Small production grew at the same rate as total production. Despite the recoil this year, the supplementary activity expanded considerably also. The growth of the foodstuffs industry approaches that of agriculture.

"The biggest success is grain; by last year the total crop reached the 15.5 million tons which the plan had prescribed only for this year. The volume of sunflower production doubled and yields improved by 25 percent. The situation in the gardening cultures is substantially less favorable. Up to last year the results of vegetable production had not improved; this year, however, a quickening can be experienced--which can be attributed to the weather also. Grapes are an exception; as a result of the bad weather the production of

grapes this year will be hardly half that of last year; according to our calculations the lost production will cause a loss of 6 billion forints. In any case, the situation of the grape-wine vertical structure will come before the economic committee of the government in the near future," Jeno Vancsa said.

"Animal raising has developed to a great degree; the prescription for the plan period--annual slaughter of 2.1 million tons of animals--was reached in 2 years. The poultry branch expanded, but the cow stocks declined and this year the hog population decreased.

"Total export by the foodstuffs economy last year was 100 billion forints; one third of all production is being shipped out. The withdrawal measures of economic policy had a strong effect on agriculture; the greater part of the operations reacted rationally to the tightening and improved their performance. Today, agriculture provides one fifth of the national income and 27 percent of gross national production, and the payments of the branch into the budget now exceed the awards received from the budget. Sixteen percent of all investments were realized in agriculture; total property increased by 100 billion forints. The most important goals were realized; cheaper investments which pay off quickly, reconstruction and machine acquisition, came to the fore. The World Bank linked into financing the developments with its program. The Intensive Grain Production Program brought the greatest results; 10 billion forints were invested on 803,000 hectares. World Bank credit covered 120 million dollars of this."

Following this the minister analyzed thoroughly those tension points which have developed in recent years as a result of foreign and domestic economic changes. "Perhaps the greatest problem is caused by the fact that the prices of industrial materials and tools increased twice as fast as agricultural prices. This is in no way a special Hungarian phenomenon, the same thing characterizes the agriculture of the United States. As a result of this, and of course also as a result of market problems and the withdrawal measures, the differentiation of the producing operations accelerated. At this time a total of about 500 large operations can be regarded as competitive. Another 500 agricultural operations belong in the middle field; some branches--for example grain production--are competitive at these, but animal raising is a deficit activity. It is primarily among these that the number of cows and hogs decreased. Three hundred farms have utterly failed in the competition; their deficit operation causes state housekeeping returning problems year after year. These failing farms do not at all come exclusively from among the operations with poor natural production conditions. Management is still at an extraordinarily low level in many places."

Following this Jeno Vancsa analyzed the status of domestic supply. "Supply has been satisfactory as a whole for years," he said. "Meat consumption this year is around 65 kilograms per capita. But the quality problems are oppressive. It is imperative that a wholesale meat market be created in Budapest, because the distribution system has been preserved, and the lack of interest coupled with this is the chief source of quality problems. Striking development shows in the supply of milk and milk products; the problems connected with milk packets can probably be eliminated within 1-2 years. The supply of bread has improved

much, but the August cooking oil shortage was repeated this year. There must be a regrouping of material forces, because this problem must be overcome. The supply of vegetables in August of this year was greater than last year by 23 percent. Only cucumbers are a shortage item; the crop was poor because of the weather. Consumers prices have decreased, were only 95 percent of last year's as an annual average and were only 85 percent of last year's in August. Nor will there be a shortage this year of fall harvested vegetables--potatoes, cabbage and root vegetables."

Speaking of preparations for the Seventh 5-Year Plan, Jeno Vancsa said: "The party has confirmed the earlier agricultural policy; in accordance with this foodstuffs production continues to be a strategic factor. The planning work is being done at a good pace. Agreement among the affected government organs has been reached already in a number of questions. In the future agriculture must meet three basic requirements. It must produce a balanced domestic supply, it must adjust to the requirements of the world market and it must find a way to make export oriented investments. In the meantime we intend to improve the profitability of production. In the future also we should maintain the variegated nature of production, because for the time being there continues to be no possibility of a division of labor with the surrounding countries.

"The intensive grain production program will continue; by the end of the next plan period we want to be producing 17.5-18 million tons of grain per year. We should improve the ratio of corn and increase the producing area by 100,000 hectares.

"In animal husbandry, maintaining the level of small production which has grown gratifyingly large, a lag of several years has to be ended, the technologies of large operation animal keeping must be developed. The internal ratios of animal breeding and animal product export must be re-ordered; cattle and poultry will come to the fore while the investments in hog raising must serve to improve quality. We would like to reach the level of Danish hog breeding within a few years with out-placement of breeding animals and premium prices for quality.

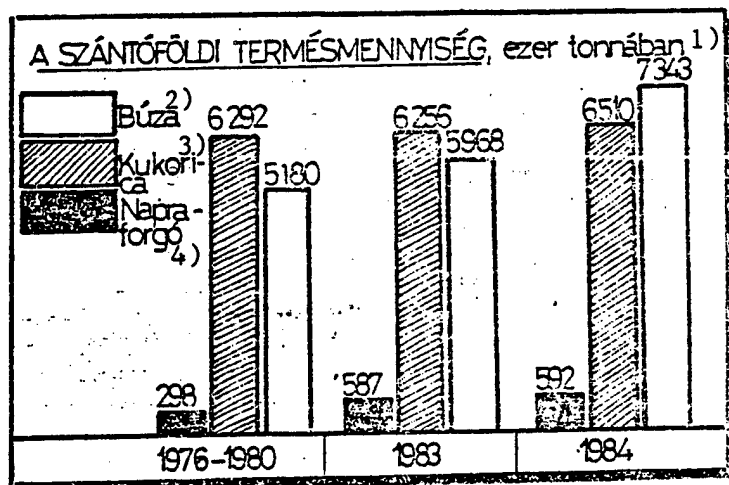
"The tasks are great," the minister said, "and in accordance with this there will be changes in investment policy. Next year, for the first time since 1979, the investment possibilities of agriculture will not decrease but may expand by 5-10 percent. The government will support primarily developments improving marketability and realizing material and energy conserving technologies. In addition, infrastructural development, improving the harmony of some vertical structures and improving the technologies for animal keeping will be put in the foreground. Melioration, irrigation, establishing plantations, construction of produce storage and, although selectively, development of supplementary activities will enjoy support. The modernization of cattle and hog sites will be supported. The World Bank programs will extend to other branches in addition to grain; those responsible have agreed thus far on a 9 billion forint program. The credits will have a role in foodstuffs industry development and in energy rationalization. The foundations have been laid, from the financial side, for 1986.

"Serving the anti-inflation policy, the agricultural producer price level will rise next year by only one percent; the realization of production policy goals will be served temporarily by price supports and tax concessions. The increase in the prices of industrial materials and tools will be stopped by central measures; only the price of artificial fertilizer and crop protection materials will increase to a minimal degree. The price of protein feeds will decrease by 5-7 percent. Corn will get a tax rebate and milk will get a price supplement. The purchasing price for quality hogs and the winter price for poultry will increase."

The minister said that a complex government program is being prepared to develop backward regions. The essence of this is changing the production structure, creating new capacity and stabilizing the intellectual level.

"As a whole we can talk of positive changes affecting all of agriculture, which may bring a quickening in the backward branches and maintain the dynamism of the developed branches. The entrepreneurial spirit may improve in every area. If the material and human forces gathered in agriculture are coupled with adaptability and entrepreneurial spirit then there is every hope that we will overcome our difficulties," Minister Jeno Vancsa said in conclusion.

Those interested will get detailed information on the new regulator system to be introduced in the Seventh 5-Year Plan at regional conferences in the near future.



Key: 1. Plowland production in thousands of tons
 2. Sunflower
 3. Corn
 4. Wheat

8984

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HUNGARY

MORE SUPPORTS TO MAINTAIN AGRICULTURAL PROGRESS ESSENTIAL

Budapest MAGYAR HIRLAP in Hungarian 22 Aug 85 pp 1, 7

[Article by---gador--: "More Vigorous Support for Agriculture"]

[Text] The National Assembly's Agricultural Committee on OMEK [National Agricultural and Food Industry Exhibition and Fair]--The Tensions Must Be Resolved

The National Assembly's agricultural committee held a session yesterday in the OMEK's headquarters. The newly composed body chaired by Laszlo Czelotei heard information about the state of agriculture. Imre Kovacs, the MSZMP [Hungarian Socialist Workers Party] Central Committee's deputy department head said that in the concluding stage of the Sixth 5-Year Plan the time has come for the governing organs to review the points of tension which have developed in the agricultural branch and to take a position on the developments planned for the next period.

Agriculture can acknowledge significant successes, during the recent plan period said Imre Kovacs. Food production supplied 27 percent of the gross national product, 20 percent of the net production, 23 percent of export, and 30 percent of the nonruble-accounted export. All this provided a good livelihood for the working peasantry and a reliable economic foundation for the country.

But recently the hog stock, milk production, corn planting acreage and the large scale vegetable growing acreage have decreased. Growth of the auxiliary activity has stalled. Agriculture is forced to operate under strong market pressure; the world market price of food has decreased, the cost of industrial materials increased and thus the forced central withholding measures have also affected agriculture. In addition the draught damages were significant if the last two years.

In spite of this the strategic role of food production must be preserved and for this very reason the agriculture must be proportionally developed in the next planning period as well. All variations of the national economic plan under preparation anticipate increased food production. The extent depends on what the available development resources will permit and what the market demands.

Central measures are necessary to resolve these tensions, but everyone must also improve the efficiency of operational activity. The reserves in this are still significant since there are big differences in standards between operations with the same given conditions. It must be examined--Imre Kovacs said--what extent and what type of income regrouping is justified within the agricultural branch. But this can only take place within a rational framework. Central income improving measures will be necessary. But the goal is that if possible the consumer prices of food should not increase in the future plan period. Further development of the industrial supplementary activity corresponding to the needs is also justified. Where employment requirements demand the development of industrial activity, preferences may also be applied.

After this, deputy agricultural and food industry minister Ferenc Szabo informed the National Assembly's agricultural committee about the present situation of agricultural production. As he said: the cereal grains promised a big harvest but due to the weather the results unfortunately fell short of expectations. In spite of the relatively lower yields and thanks to the larger planting acreage the total crop quantity approximates the planned amount. But unfortunately the planting acreage of corn is smaller than what the plan indicated and thus the total grain production surpassing the 15 million tons projected in the national economic plan can be harvested this year only if corn yield will be very high. It is clear--the deputy minister emphasized--that more corn would be needed domestically as well as for export. Just as it is also clear that we will continue the grain program in the next plan period as well.

The sugar beet planting acreage is adequate and for the time being no comment can be made about yield. One thing is certain: the country's sugar inventory is significant and thus according to the plan the beet planting acreage next year is expected to be decreased. This does not mean that sugar beet production should be decreased. Quite the opposite...

The oil bearing crops are promising--Ferenc Szabo said and he added--the growing of oil bearing crops and the vegetable oil export is perhaps the most spectacular success of recent years.

Speaking about livestock raising the deputy minister spoke primarily about the alarming decline of the numbers of cattle and hogs and that this situation too must be changed through governmental measures. With hogs it represents an additional problem that the quality of slaughter animals is falling short of the market requirements.

The total production acreage of horticultural crops did not decrease and supplies were satisfactory this year due to the effect of favorable weather. Only the spice paprika provides cause for concern. The situation of grape and wine production is not favorable either. The winter frosts caused great damage and significant areas have been totally wiped out. Thus this year's harvest cannot reach the high level of recent years. In addition a portion of the damage affects more than this year's harvest.

Certain measures are already being taken this year in mid-year to solve the problems--the deputy minister said. Besides other things the industrial activity

has been given tax breaks and the construction of cattle raising areas is also enjoying benefits now. When next year's measures are being worked out attention must be paid first of all to the anti-inflationary policy. Therefore significant changes cannot be expected in the producer prices. Where it is necessary to increase incomes the government will apply primarily other means than price.

The increase in the prices of industrial equipment used in agriculture cannot be stopped, however, further decrease in the subsidies will not accelerate this price increase--Ferenc Szabo promised the representatives. One significant change is that next year the price of protein fodder may significantly decrease.

Additional measures with incentive effect are that corn is given an income tax break, the standard for wheat is made more strict, and in connection with this a differentiated wholesale purchase price will be introduced as a function of quality. A new milk premium system will be developed and seasonal prices will be introduced for slaughter cattle. For the time being, wholesale purchase of slaughter hogs based on objective quality evaluation will be introduced only for animals produced in large scale operations. The time point for introducing the new system for animals produced in household operations is 1987. Auxiliary activity positions will be improved using moderation of the production and accumulation tax as a tool. Subsidy to agricultural investments will be increased, and these will apply primarily to the construction of cattle raising spaces and reconstruction of poultry raising lots. Naturally assistance will also be given to agricultural operations that have suffered under unfavorable natural conditions.

In response to questions from representatives Andras Sziraki, Laszlo Nagy, Csaba Hutter, Mihaly Hanko, Jozef Sebok, Sandor Szabo, Imre Antal, Janos Varga, Ferenc Dobi, Peter Biacs and Gabor Matyus, deputy minister Ferenc Szabo said that progress would undoubtedly be slow also in the production of bulk fodders. And even though there are some people who demand direct subsidy, the government considers the lagging growth as being caused by the low profitability of livestock raising. For this very reason this is what they want to change. Several people are also debating whether it would increase interest if prices were raised or subsidies increased. According to the government's position subsidy functions just like price does and does not influence the astuteness of the operations. However, if they would rather increase the subsidies and not raise the price, then this must not lead to the increase of consumer prices. The goal is that the incentive effect of the central measures be clearly implemented. It has been mentioned that--considering the modest harvest--the wine law perhaps should be liberalized? We must not do this under any circumstances--the deputy minister said--because fundamentally we must consider our long-range market interests. And this dictates that we must produce excellent quality.

8584

CSO: 2500/508

HUNGARY

HIGH SHIPPING COSTS ERODE PROFITS

Budapest MUSZAKI ELET in Hungarian 17 Aug 85 pp 1, 4

[Article by Ferenc Jaszonyi: "Shipping Costs Carry Off the Profit; At Their Mercy in the Peak Season"]

[Text] More and more experts are saying that shipping, material movement, is holding back the development of Hungarian agriculture, which is approaching the results of the international leaders. Seeing the modern vehicles groaning along the dirt roads, possibly pitching and tossing, the question arises: Where is the limit to which the tolerance of technology can be tested? And even more, How long can the truly spectacular yields counterbalance the extra costs deriving from the conditions of material movement, the frequently impossible circumstances of moving the products on?

The limit--many are saying!--is not too far off, because the technical problems--due to the increasing yields too--are renewing themselves, virtually of themselves and to an increasing extent. The developments of a production character have used up the money, the supports and the credits for this area. But it has now become obvious that the deficiencies and contradictions which can be found in transportation and in the system of conditions for it are already endangering the economy of the entire sphere of production, making questionable the profit side of otherwise justified and viable programs (for example, the grain and meat program).

That the large crops can be a problem also is true in every branch of agricultural production. Transportation, like an overloaded wagon, is always cracking under the burdens of the large crops loaded on it. Each year 240 million tons of goods are transported in agriculture (with multiple movements of material). A single batch is generally reloaded and shipped on two or three times, frequently six to eight times or more, often along incredibly twisting routes. The batches being transported along these "channels", to use the fashionable word, the fruits and vegetables or the summer shipments of meat moving in unrefrigerated cars, often "fall behind schedule" so far that by the time they reach their goal they are already worth nothing.

Even under circumstances which can be regarded as normal, transportation and the movement of material carry off 20-30 percent of the production costs. As a result of the deficiencies of technical origin and as a result of the lack of

organization this share can increase significantly, and it further worsens the situation that because of the protracted transportation the processing industry receives the products only well after the agricultural work, for example after the harvest or vintage. Since agricultural transportation is seasonal by its nature there is a tendency to create almost continual transportation peaks. And in the linkage system it can be wounded further since it is at the mercy of outside enterprises (the railroads, truck freight and navigation).

At a recent road affairs conference surprise was aroused by the datum according to which the agricultural operations own 12 percent of the national hard surfaced road network, a total of 13,000 kilometers of built-up roads and 50,000 kilometers of dirt roads. Organized road investments have been made in this area since 1955; construction of the roads linking TSZ [producer cooperative] farms began then. In the first decade a number of chief authorities, institutions and organizations were involved with the matter--the KPM [Ministry of Transportation and Postal Affairs], the producer cooperative road construction organizations and the MEZOBER [probably, agricultural investment] enterprise. Planning and execution have been in one hand since the end of 1966; it became the task of AGROBER [Agricultural Planning and Investment Enterprise].

Primarily as a result of the earlier developments, the routes now being "reduced", 77 percent of the farm sites and 69 percent of the animal husbandry installations are linked into the national network by built-up roads. The average length of the linking roads is one kilometer. As an average for more than 13,000 operating units, the roads extend 5.7 kilometers from the center of the farm. The average road width in agriculture is 3 meters or less--which no longer satisfies the present traffic conditions. This could cause more problems in transportation in the future, as could the fact that no one is concerned with the road network of the farms which have been liquidated or cut back, not even if supplementary activities have been set up in the old buildings.

Routes Being Reduced

The condition of the roads varies. Forty-three percent of the hard surfaced roads are acceptable and by and large are properly maintained; those completely obsolete technically, the ratio bound with water or made up of dusty macadam, can be put at 10 percent. The remainder, somewhat less than half of the roads, are being "reduced" due to inadequate maintenance. In addition to these routes they record in agriculture 25 million square meters of internal roads, main and side roads, building approach roads, parking areas, etc. The most trouble is with the so-called operational roads. Most of these are simple dirt roads, axle hanging "rattling" roads. Out of 50,000 kilometers a total of 500 kilometers are regularly maintained, technically cared for roads. As surprising as it may sound, however, this wee bit indicates an improvement; in the course of large field cultivation and melioration in recent years they have built ditches and channels along some routes and since then these roads are properly maintained--together with the facilities belonging to them.

Without a Fund

Presumably it is not simply neglect and forgetfulness which keeps the farmers, carefully cultivating their areas otherwise, from dealing with their roads. Surely the well trained experts know that the costs of transportation on dry dirt roads can be double what they are on hard surfaced roads, and can be 8-9 times as much on wet, muddy roads. But in regard to investments the agricultural engineer is forced to list "road matters" lower down--always lower down! The so-called Road Maintenance Fund influenced enterprise behavior somewhat between 1980 and 1983; the farms paid a part of the amortization depreciation set aside for roads into this fund. Although modest results were achieved this fund was abolished as of 1 January 1984.

The special group allotment can provide funds only to finance linking roads for new fruit plantations or new animal sites. But since the farms are not too much interested in either branch just now the new roads have not seen even the first hack of the hoe. Maintenance of such roads is unsolved also. Most of the professional road building enterprises stay away from such little jobs, or charge excessively stiff prices. So the farms are planning to create their own joint enterprises or organizations to build roads. But for the time being little of the idea has been realized in practice--probably again because of material difficulties.

You know the picture. The transportation chief of the farm looks out the little window to see what vehicle is available and sends it off on the job which seems urgent. He has no regard for how big a vehicle he is sending for how much. On many farms the weekly transportation briefing has become a daily event, because the performance and composition of the vehicle park are less and less suitable to the "situations" (which are always "given").

The vehicle inventory has not developed--in level or ability--together with agricultural production. It is true, we are talking about unique vehicles.

The total capacity of the 31,000 trucks being used in agriculture is 109,000 tons. So the average carrying capacity is about 3.5 tons, a good bit less than desired. In addition, this average value has decreased in the past 5 years (if only by a little, by 0.2 tons). Long-range calculations up to 1990 predict an average 8 ton load weight; but according to the signs there is little chance of realizing this.

Prices--Costs

But why do the farms not want to buy bigger trucks? The causes again are of a material nature. It appears from studies by Kalman Nagy, a scientific worker at the Agricultural Economic Research Institute, that the agricultural operations are seeking primarily trucks under 3.5 tons load weight. Trade in the 3.6-5 ton category, the category of the IFA's, is stagnating. And it is in vain that the production yields would justify the spread of 10 ton or larger load weight vehicles--there are no signs of it. It is an unfavorable phenomenon that the load area of most of the new trucks cannot be tipped, which limits their utility value. Behind the "miniaturization" stands a curious play of prices and price relationships, and not the aversion of the

agricultural experts to larger performance. A fixed bed, 5 ton popular IFA W50L costs 198,000 forints. A ZIL 130 G with a similarly immobile load area costs 202,000 forints. The Kamaz, with a 10 ton load capacity, costs 667,000 forints. The tipping bed IFA W L (with a load weight of 4.8 tons) costs 272,000 forints and the (10 ton) Kamaz costs 750,000 forints. Two Raba trucks belong in this group also. One is a 15 tonner and they are asking 1.9 million forints for it. The other, the 14 ton Raba U 26.230 DFKa type goes for 2.25 million forints. So there really are significant price differences among the trucks which explain the behavior of the customers.

But the foreign trucks have an advantage not only in regard to price but also in regard to specific investment cost per ton. This value is 75,450 forints for the IFA, around 75,000 forints for the Kamaz and 126,000 and 160,000 forints respectively for the two Raba trucks. This specific index is especially favorable for the 10 ton Kamaz; the farms would be glad to buy this truck, but they can be obtained in only limited numbers. Similar expectation precedes the larger IFA truck (a 6 tonner according to early indications) but it appears that its arrival is being dragged out too long. Figuring on a performance of 2,000-2,500 hours per year, the shift hour costs for tipping bed trucks develops as follows: 245.80 forints for the IFA, 316.60 forints for the Kamaz and 460 and 500 forints respectively for the Raba trucks. Of course, there is no doubt that these figures are one-sided, because surely the shipping, purchase and investment costs would develop more favorably for the large trucks, which to a certain extent could counterbalance the larger expenditure.

Vehicles "Written Off"

In 1984 they recorded 63,350 trailers with a total capacity of 370,000 tons. Thirty-eight percent of the stock had a load weight under 5 tons, half of all the trailers could handle 5.1-7.9 tons, the others had a capacity above 8 tons. The number of trailers has decreased in the past 4 years while total load weight capacity increased from 354,000 tons to the present level. The trailer stock is very worn out; 40 percent have been written off to zero. The farms use the trailers until they are completely used up. The condition of the trucks is not much better; 8,300 of them, 25-28 percent of the vehicle park, are already over age and amortized. The cost of repairs is not cheap even with normal running; it is 55.40 forints per shift hour in the case of an IFA 50 truck on the basis of 2,500 hours use per year. This figure is 86.80 forints for the Kamaz and 156.40 forints for the Raba.

Recent years have certainly brought an improvement in the number and technical capacity of loading machines. In the wake of the technical developments at the Kaposvar enterprise and deliveries by GDR industry the farms have been purchasing more and more good equipment, and their own developments are worthy of note as well. It is also a fact that only one fifth of the loading machine stock is self-propelled and it causes a problem that for the time being the agricultural machines and devices which can also load are unsatisfactory.

The possibilities for rationalizing transportation must be sought primarily in maintaining in a suitable state the conditions for transportation, the existing transport routes and operational road networks, and in a gradual

modernization of the dirt roads, providing them with hard surfaces, and in the constant maintenance and repair of the roads.

The development of transport and loading equipment is another important factor. There is a need for a qualitative change in the vehicle park, primarily for a spread of larger capacity agricultural trucks and trailers. But there are price problems to this which--according to the signs--are currently insoluble for the agricultural producers.

Number of Trucks	1981	1982	1983	1984
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State agriculture	6,110	6,159	6,529	6,746
State farms, comb.	5,734	5,989	6,170	6,320
Common farms of agricultural coops	24,434	25,316	26,207	26,231
Agricultural producer cooperatives	23,288	24,072	24,823	24,912
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Total	30,544	31,475	32,736	32,977

Number of Trailers	1981	1982	1983	1984
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State agriculture	19,482	19,502	19,469	19,317
State farms, comb.	18,764	18,905	18,713	18,536
Common farms of agricultural coops	71,892	72,420	71,117	69,654
Agricultural producer cooperatives	69,774	70,146	68,780	67,453
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Total	91,374	91,922	90,586	88,971

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POLAND

GROWTH IN DOMESTIC HARD CURRENCY CREDITS

Warsaw RZECZPOSPOLITA in Polish 23 Aug 85 p 3

[Text] There has been a steady growth of interest in the hard currency credits granted by the Bank Handlowy foreign trade bank. Whereas last year there were only five such loans granted worth a total of \$9.6 million, by mid-August this year the bank had already awarded 19, worth \$33.3 million.

This form of financing has made it possible for the FSO car factory and the FSC truck plant in Starachowice to import the materials they need to carry out huge orders received from the People's Republic of China. The credits involved here were short-term ones, which the bank prefers.

Several credits have been awarded for export-oriented investment projects, e.g., for the purchase of equipment for producing apple juice concentrate, a product in great demand on foreign markets.

The bank is now about to grant a loan to a foundry at Konskie for the purchase of an advanced production line. The quality of Polish castings has in the past often made it difficult to export various engineering products. This purchase will also offer a chance of exporting the castings themselves.

All of Bank Handlowy's borrowers have been fulfilling their financial obligations. Some go on to request additional hard currency funds after repaying earlier loans.

There is every indication that the number of hard currency credits is going to grow, especially given the recent introduction of lower lending rates.

CSO: 2020/224

POLAND

CHANGE IN SCOPE OF GOVERNMENT ORDERS

Warsaw RZECZPOSPOLITA in Polish 29 Aug 85 p 1

[Text] Government orders will be preserved next year, but some changes will be introduced in the scope of the goods they embrace.

Finished products are gradually disappearing from the list of items covered by government orders, while materials needed for their production are taking their place.

Guaranteed supplies of raw and intermediate materials will ensure the freedom of operation of those putting out tenders (commercial institutions trading in finished products), enabling them to select the most attractive and cheapest offer made by factories, and the necessary supplies will then be delivered to the factory which made this offer.

Another novelty consists in a prolongation of the period over which some orders, for basic raw and intermediate materials can continue (e.g., man-made fibres, yarn, urea, adhesives for furniture production, film and dyes for printing, and dyes for the market, construction and municipal sector) so that they can now be ordered for a three-year period.

The third novelty is that the production of children's clothes, underwear and hosiery will now be included in government orders.

Of consumer goods, the production of which is coordinated by the Chemicals and Light Industry Ministry, shoe production is not included in government orders, but leather, glues and thread are included and will be available.

Marek Wadolowski, the ministry's plenipotentiary for government orders, believes the amount of liquid detergents should also be sufficient. Shampoo production is expected to total 26,000 tons, but greater production is possible if the need arises. As many as 7,000 tons of toothpaste will be manufactured, but in the second half of 1986 the industry's production potential will go up to 10,000 tons, and the demand for toothpaste should then be met.

Hosiery production is expected to total 300,000 million pairs, which should be sufficient by the ministry's estimates. Nylon underwear for adults is no longer included in government orders, but cotton underwear has remained (51.6 million pieces). This quantity, however, will not be sufficient. Cotton yarn is guaranteed, but its use is indicated, i.e., for shorts, towels, etc. These will be produced in great quantities, but will still be below the amounts needed.

Children's clothes production will be as high as this year, while considerable increases are expected in all other areas; it is up to the trade sector to force the industry to produce attractive items.

Potential producers have by now defined their needs for materials and imported goods. Tenders will begin in September, and where these are not necessary, agreements are already being signed.

CSO: 2020/224

POLAND

MINISTRY DISCUSSES FOREIGN TRADE LICENSES, JOINT STOCK COMPANIES

Warsaw RZECZPOSPOLITA in English 15 Aug 85 p 4

[Text] Tomasz Bartoszewicz asked Jerzy Borowski, Ph.D., D.Sc., Director of the Foreign Trade Ministry's Department for Organization and Trade Licenses, to explain the specific circumstances of how the economic reform is being applied to foreign trade.

[Question] The 26 February 1982 law on licenses to carry on foreign trade says that the Foreign Trade Minister may license both corporate bodies and individuals to engage in this kind of activity. What do the minister's concessions concern and who receives them?

[Answer] The concessions concern the export and import of specific types of goods or services. A license can concern definite countries or geographic regions, and it can be issued for an indefinite period or with a time limit. Producers of goods and services fulfilling the legal criteria may obtain a license to carry on foreign trade.

The first requirement is that the concession holder exports at least 25 percent of its products or goods worth more than 1 billion zloty a year.

[Question] Is this an interchangeable requirement?

[Answer] Yes, it is, because we want to consider both those producers who, export products worth many billion zloty, and yet this is only a small share of their total output, and those who export nearly everything they produce, but who nevertheless export goods worth less than a billion zloty a year.

[Question] Along with this quantitative criterion, you also apply a qualitative one. What does that depend on?

[Answer] We apply the qualitative criterion only to corporate bodies. They must have specialized personnel, and the appropriate organizational and maintenance services necessary for their foreign transactions. In other words, in their specialized foreign trade department, they must employ experts in foreign commitments. These experts should have a general knowledge of foreign trade problems and a knowledge of foreign languages, they must also know the rules of foreign trade financing (above all, to ensure payments for accounts receivable), international forwarding and the legal problems, which are quite specific to foreign trade.

[Question] How many licensees are there in Poland so far?

[Answer] By the end of 1984, the Foreign Trade Minister issued 289 licenses, including 134 granted to corporate bodies and 155 to individuals (mainly self-employed tradesmen). Licenses are also given to owners of small foreign businesses operating in Poland. If the same person is the owner of several firms, a single license is sufficient to allow him to transact export-and-import activities at each of his firms.

[Question] People are mostly interested in concessions for state-owned producers. Who has received a license so far?

[Answer] Seventeen engineering companies, including the Ursus tractor factory, the FSM small car factory, the Fampa paper-manufacturing factory at Jelenia Gora, and H. Cegielski metal-working mill at Poznan, the Elwro electronic factory at Wroclaw, the Rafamet metal manufacturers at Kuznia Raciborska, the ZUP industrial equipment manufacturers at Nysa and the Zastal metal-working mill at Zielona Gora have received licenses so far, as well as the Nitrogen Factory at Tarnow and Polish Chemical Reagents (POCH) at Gliwice representing the chemical and light industries, and Unisco Food Concentrates producers for the food industry. Many cooperatives have also been licensed to carry out their foreign transactions (e.g., Coopexim-Outfitters).

[Question] Isn't the absence from this list of such potential exporters as the Huta Stalowa Wola heavy industry mill, the WSK Transport Equipment Factory of Mielec or the shipyards rather conspicuous.

[Answer] They have not applied for concessions, because apparently they believe that their interests are well protected by the companies in which they have their shares.

[Question] Since we are discussing foreign trade companies, could you tell us something more specific about their operation?

[Answer] I want to begin from the Government Economic Committee's Executive Order which transformed the majority of the old specialized foreign trade enterprises into limited liability trading companies (on the bases of the 1934 code of commerce). The treasury, represented by the foreign trade minister, holds at least 51 percent of their shares. The manufacturers, who export their products through the company contribute the remaining shares.

[Question] The rule of the Treasury's 51 percent share is questionable. Was such substantial security necessary?

[Answer] The foreign trade minister is the Central Representative of the state's monopoly on foreign trade. In the face of the absence of the economy's export orientation it seemed necessary that the interests of the state's policy should be protected by the treasury's majority share in the companies. However, there are exceptions to this rule. The treasury has no share in such cooperatives for example as Hortex.

[Question] So much for the formalities. What were the essential reasons for establishing companies?

[Answer] We believe that by establishing companies we have the best means of turning the producers' interests to foreign trade and to specialization in the production for export of particular types of goods. The latter aim is the idea behind the current ministry-sponsored "small-scale restructuring" of the processing industry, consisting of the ministry's support for export-oriented investments by the producer-shareholders in those companies.

CSO: 2020/224

POLAND

METALLURGY TRADE PROSPECTS WITH AFRICA

Warsaw RZECZPOSPOLITA in Polish 30 Aug 85 p 1

[Text] On 29 August, a session organized by UNIDO, with the assistance of the Katowice branch of the Polish Chamber of Foreign Trade (PIHZ) and the Metallurgical Machinery Office, ended in Katowice. The session called Afromet 85 was intended as a forum for presenting Polish metallurgical technologies and machinery to the representatives of African states.

The four-day session, which was one of the leading projects in the African decade (1981-1990) proclaimed by the United Nations, was attended by government experts from Algeria, Ethiopia, Guinea, Cameroon, Kenya, Liberia, Morocco, Mozambique, Nigeria, Sierra Leone, Zambia and Zimbabwe. African experts listened to several papers presented by Polish scholars and engineers on the machinery and equipment offered for sale by the Polish metallurgical industry. They also toured several design offices, the Zygmunt and Zamet metallurgical plants and other factories where the machinery on offer is being used.

The organizers and participants in the session thought it lived up to expectations. Liberia's representative James Holder said: "We are interested in the Polish offer for at least two reasons. First, Polish technologies proposed by small, specialized steelmills, and processing plants are simpler than those imported from the United States or Japan, while product quality is the same. Second, our Polish partner provides training for domestic experts in our country."

It is too early to appraise the economic effects of the session, because it was not designed as a commercial project, although 10 countries have made offers for the construction of a total of 15 plants. Maciej Demidow, deputy head of the PIHZ Katowice branch, said: "It is worth emphasizing that this meeting served the purpose of breaking the ice of distrust. We have proven that we can be an interesting partner for the African states. Now the primary target is to ensure that the foreign trade sector does not lag behind the offer made by the industry."

The first gain from the session was the acceptance of Hutmaszprojekt-Hapeko's offer concerning consultations and expertise in working out technological and economic reports and appraisal of investment projects.

Michal Czub, an official representing the metallurgical section of the UNIDO Secretariat in Vienna, said at the close of his stay in Katowice: "I appreciate the good organization and our hosts' efforts and efficiency. Our meeting has proved that Poland is capable not only of organizing such a session, but also of being a credible economic partner for the developing states."

POLAND

NEW CARPATHIAN GAS SOURCE

Warsaw ZYCIE WARSZAWY in Polish 27 Aug 85 p 1

[Excerpts] Geological exploration has been carried out in the Carpathian Foreland for several years with a view of finding new sources of crude oil and natural gas. Recently the explorers were faced with the gas eruption from the Cieszanow-5 hole.

The first tests indicate the presence of a high-grade, methane-rich gas in the new source, which is so much needed by many industries. So far, the miners are unable to determine the scale of the new resource.

However, oil and gas explorers make several discoveries of this kind every year. More often than not, the sources are so small that it does not pay to exploit them.

CSO: 2020/224

POLAND

BRIEFS

POLISH-SOVIET CONSTRUCTION PROTOCOL--Representatives of the Ministry of Construction and Construction Materials Industry have signed a protocol on talks with a delegation of the Soviet State Construction Committee. The talks concerned Polish-Soviet scientific-technical cooperation in the sphere of building construction for the years 1986-90. A list of the basic scientific-technical problems for cooperation between bodies belonging to both ministries is an appendix to the protocol. [Text] [Warsaw Domestic Service in Polish 1400 GMT 6 Sep 85 LD]

SZALAJDA MEETS USSR'S MARCHUKA Polish economic delegation led by Deputy Premier Zbigniew Szalajda stayed in Moscow on a 1-day visit. In talks with Deputy Premier Guriy Marchuk they assessed the implementation of provisions for bilateral cooperation, and discussed preparations for a comprehensive program for Polish-Soviet cooperation, and scientific and technical progress. [Text] [Warsaw Television Service in Polish 1730 GMT 6 Sep 85 LD]

CSO: 2600/1067

ROMANIA

DEVELOPMENT OF CIVIL AVIATION OUTLINED

Bucharest LUPTA CFR in Romanian 14 Jun 85 pp 1, 12

[Article by Major General Dumitru Puiu, deputy minister of transportation and telecommunications, head of Department of Civil Aviation: "Civil Aviation in Step With the Future"]

[Excerpts] This year we are going to celebrate Aviation Day of the Socialist Republic of Romania in an atmosphere of deep creative effervescence and total revolutionary commitment in which our entire nation and together with it the country's pilots participate decisively and with devotion in the steadfast implementation of the historical decisions adopted at the 13th Congress of the Romanian Communist Party.

In the post-war period, the development and the modernization process of civil aviation integrated itself organically within the socio-political framework of revolutionary changes which took place in our country under the leadership of the Romanian Communist Party, marking a major qualitative leap, especially after 1965, the year of the 9th Party Congress. Civil aviation (TAROM [Romanian Air Transport] and LAR [Romanian Airlines]) constantly modernizing the supply of aircraft with new airplanes, communicates via air routes with 38 large capitals of Europe, Asia, Africa, North America to which one can add a large number of charter flights, to more than 400 destinations, situated in the most distant points of the world.

The total length of the Romanian air routes at the present time is over 120,000 kilometers, as compared with only 4,876 during the first years of the building of the socialism in our country. During that period the transport capacity of Romanian civil aviation increased more than 19 times.

Through continuing efforts, workers in air transport, fulfilling and surpassing from month to month the economic plan and commitments made, succeeded in occupying the first place by branch, in socialist competition, at the end of May 1985. Thus, during the first 5 months of 1985 the TAROM and LAR companies fulfilled the economic plan for transportation and services in the principal indicators as follows: production expressed in conventional passenger km, at a percentage of 108.0 percent, net production 116.9 percent, currency contribution 103.5 percent, and profit 142.6 percent.

As an expression of the increase of prestige of Romanian civil aviation on the world level, of its increasingly active participation in the international sphere of material and intellectual values, in cooperation, knowledge and rapprochement among countries and peoples, presently Romania has relations with countries, firms and airline companies from the entire world in the form of over 70 bilateral air agreements.

The service aircraft sector has continually diversified its zone of action, currently executing tasks in agriculture, forestry, in the area of fish breeding, geology and energy, being an active presence in the socio-economic life of the country. In 1984, the service aircraft enterprise succeeded in obtaining exceptional results in fulfilling the tasks of the plan and in winning third place for the transportation branch and the outstanding unit banner. Thus, at the celebration of the pilots this year the service aircraft personnel present themselves with the plan for the first 5 months fulfilled by 100.2 percent.

Sports aviation, reorganized on a new basis within the framework of the Romanian Central Airclub, carries on activities in 14 territorial airclubs equipped with aircraft for training, aerobatics, for towing and ejecting parachutists, with gliders and motor gliders, for the most part, of Romanian production.

At the direction of our party, and personally of Comrade Nicolae Ceausescu, a set of measures was undertaken in order to develop and improve the Romanian aeronautical industry. The designers and constructors of airplanes in our country produced an IAR-821 airplane with an IAR-822 variation, an IAR-823 service airplane for multiple uses, an IAR-825 light turbo-prop training plane, an IAR-827 service airplane, an IAK-52 training plane (in cooperation with the USSR).

The ROMBAC 1-11 aircraft intended both for the transportation of the passengers and for freight constitutes a creation of great complexity and technical refinement for the makers of the Romanian aircraft, belonging to the class of medium capacity airplanes. This prestigious production of our industry, illustrates once again the constant concern of party leadership, of Comrade Nicolae Ceausescu personally, for the development of these very important sub-branches of our machine building industry, for the constant improvement of technical characteristics, the flight features and competitiveness of Romanian airplanes.

On 20 September 1981, in presence of the president of Romania, Comrade Nicolae Ceausescu, the first official flight of the ROMBAC 1-11 was carried out. This realization constituted a real symbol of the continuation, enrichment and elevation of Romanian aviation traditions to new heights.

CSO: 2700/224

ROMANIA

TAROM DIRECTOR REVIEWS AIRLINE'S ACTIVITY

Bucharest LUPTA CFR in Romanian 24 May 85 p 3

[Interview with Livius Sabau, director of TAROM [Romanian Air Transport Company] by Petre Gheorghiu, date and place not specified.]

[Text] [Gheorghiu] TAROM [The Romanian Air Transport Company] has added the achievement of meeting the primary plan targets for the first quarter of 1985 to its string of 1984 successes. This places it among the leaders in socialist competition in the civil aviation department.

The uniform standards of the workforce and the advanced training of the navigation and support personnel are but two of the primary causes for TAROM's success in demonstrating the potential of its workforce. Its employees have earned well-deserved prestige both at home and abroad.

To learn more we turned to Livius Sabau, director of TAROM. We asked him to tell us more about the devotion of all those who proudly wear the TAROM insignia.

[Sabau] You are absolutely correct. TAROM is fast becoming a prominent name in air transport--both passenger and freight--not only because it has met its obligations, but because it always has strived to live up to the trust placed in it.

For the first quarter, the transport plan for passengers and freight--expressed in conventional passenger-kilometers--was surpassed by 8.2 percent and was up a whopping 61.3 percent over the same period of 1984. For international flights, we achieved this increase by attracting important connecting traffic which transits Otopeni Airport enroute between various European cities and those in the Middle East and the Orient. This was accomplished by beginning a series of TAROM flights on 1 April 1984 that was matched to the new traffic flow. Consolidating this market throughout 1984 enabled us to show improvement for the first quarter of 1985 over that of 1984 and allowed the plan to be met and even overfulfilled. Because of this traffic, we had to add extra flights and larger aircrafts during peak periods on those routes where there had been deficiencies in the past: Istanbul, Athens, Cairo, Nicosia, etc.

Another new trend that developed to increase ridership on the external routes-- and one that was quite important in meeting plan targets--was our success in arranging partnerships with tourist agencies promoting tours to Romania. In the past, these agencies made extensive use of charter flights but with a drop in tourist traffic, they have stopped taking the risk of booking charter aircrafts. By offering competitive rates in a semi-charter operation we were able to regain these sources previously considered lost. This was especially true for off-season which is taken in by the first quarter of 1985. Particular success was registered in flights to and from England, France and Spain.

[Gheorghiu] We know that you have recently had significant successes in certain marketing research endeavors. Could you give us some specifics about what you have accomplished along these lines?

[Sabau] First of all, we established TAROM representatives abroad who were given specific tasks to do market research, to identify new sources of traffic, to contact them and even to enter into contractual agreements with them when contacts at other levels had not been established. This process gave excellent results, illustrating the need to maintain a contact as close as possible to sources of information.

In order to make use of the entire aviation fleet available, TAROM was able-- thanks to constantly researching the air transport market and contacting foreign clients-- to lease aircrafts to foreign companies in connection with performing cargo flights for third parties.

Also there have been important first quarter overfulfillments of the economic efficiency indicators net production and net profit. The former was 7.8 percent over plan figures and the latter 16.7 percent. Both of these were due in large measure to savings in costs of materials--major items in the production costs plan. These savings meet fully the challenges in the program of measures to reduce expenses adopted by the RCP Central Committee's Political Executive Bureau.

Another indicator to which TAROM gave attention was its contribution of hard currency. To achieve 117.1 percent of the plan figure for this indicator required substantial efforts to profit from the services rendered to domestic and foreign customers as well as adherence to a severe economy program for hard currency expenditures.

TAROM resolved to fully meet all plan targets and especially to achieve 105 percent of the material plan. The overfulfillments noted will come principally from increased ridership on both domestic and international flights and from continuation of the aircraft leasing agreements with the foreign companies DAN Air, Lauda Air, CAAC, GAS, Guyana Airlines and others.

12280

CSO: 2700/203

11 October 1985

YUGOSLAVIA

1985 BUDGET OF FOREIGN EXCHANGE RESERVES

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 38, 26 Jul 85 p 1125

[Law enacted by the Chamber of Republics and Provinces of the SFRY Assembly on 25 July 1985: "Law on Advanced Estimate of the Revenues and Expenditures of Foreign Exchange Reserves in the National Bank of Yugoslavia for the Year 1985"]

[Text] Article 1

The revenues in the budget of revenues and expenditures of foreign exchange reserves in the National Bank of Yugoslavia are set for 1985 in the amount of 160 billion dinars.

The funds referred to in Paragraph 1 of this article are to be furnished as follows:

- | | |
|--|-------------------|
| I. To cover differences in foreign exchange related to foreign credits converted to dinars | 63 billion dinars |
| 1. From the contributions of the republics and autonomous provinces | 10 billion dinars |
| 2. From the Federal Budget for 1985 | 10 billion dinars |
| 3. From a portion of customs duties and other import charges | 15 billion dinars |
| 4. From a portion of special fees on all payments made abroad | 15 billion dinars |
| 5. From the special fee on certain imported goods | 10 billion dinars |
| 6. From the portion of interest on credit based on primary note issue which belongs to the National Bank of Yugoslavia | 3 billion dinars |
| II. To cover differences in foreign exchange occurring in the National Bank of Yugoslavia | 97 billion dinars |
| 1. From the portion of interest on credit based on primary note issue which belongs to the National Bank of Yugoslavia | 7 billion dinars |
| 2. From positive differences in rates of exchange in the National Bank of Yugoslavia | 80 billion dinars |
| 3. From a portion of primary note issue | 10 billion dinars |

Article 2

The expenditures in the budget of revenues and expenditures of foreign exchange reserves in the National Bank of Yugoslavia for 1985 are set in the amount of 160 billion dinars.

The funds referred to in Paragraph 1 of this article are to be used as follows:

- | | |
|--|-------------------|
| I. Coverage of differences in rates of exchange related to foreign credits converted to dinars | 63 billion dinars |
| 1. To cover differences in rates of exchange related to foreign credits converted to dinars | 63 billion dinars |
| II. Coverage of differences in rates of exchange occurring in the National Bank of Yugoslavia | 97 billion dinars |
| 1. To cover differences in rates of exchange related to payments against credits and other debts of the National Bank of Yugoslavia | 25 billion dinars |
| 2. To cover differences in rates of exchange related to the reduced foreign exchange savings of individuals deposited in the National Bank of Yugoslavia | 50 billion dinars |
| 3. To cover differences in rates of exchange related to foreign exchange savings deposits of individuals in the form of revaluation of interest-free credit to banks | 20 billion dinars |
| 4. To cover differences in rates of exchange that occur in the National Bank of Yugoslavia | 2 billion dinars |

Article 3

This law shall take effect on the 8th day after publication in SLUZBENI LIST SFRJ.

7045

CSO: 2800/436

YUGOSLAVIA

ELEMENTS BUILT INTO INFLATIONARY TRENDS ANALYZED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1806, 11 Aug 85
pp 12-14

[Article by Branko Colanovic: "How To Drink Up the Sea?"]

[Text] Aesop's master Xanthus swore that if he lost a bet he would drink up the entire sea. When he did lose, he was at a loss and turned to his young slave for advice. Aesop sent him to the winners to tell them that he had agreed to drink up the sea, but not its tributaries, so all they had to do first was to stop the tributaries.

In combating the very rapid rise of prices we need to stop the principal streams which with uncontrolled force are fueling inflation more and more. Unfortunately, Yugoslav economic policy has not been able to find its Aesop.

At this point the assessment that in our case it is mostly a question of cost inflation is more or less unanimous. But since the measures applied for several years were aimed at demand inflation, and had outcomes which proved to be absolutely bad, the right results have not yet been forthcoming. The factors of cost inflation have not been cut off. The unrestrainable hiking up of prices and acceptance of those prices as an accomplished fact remain a phenomenon which is taking on ever greater proportions every year.

The Price of Arbitrariness

When the rise of prices in 1982 was 30 percent, the Anti-Inflation Program was enacted. Since that time we have seen numerous resolutions and conclusions. Now we are consoled by the assertion of the Bureau for Market Research that in 1985 the rate of inflation will certainly not run to three digits and will amount to about 75 percent.

The hiking up of prices refers to the procedure whereby all expenditures related to direct investments of a business organization and also to investments in the infrastructure or superstructure of its sociopolitical community have to be incorporated into producers' prices. Then there is also megalomania, irresponsibility, the "political factories," and failures and errors in making investments. They are referred to as voluntarism, but it would be more accurate to speak of arbitrariness. Then there are also unjustified differences

here in personal incomes, that is, incomes above the actual value of the results of work.

Let us assume that business costs (outlays for materials, energy, services, depreciation, etc.) for an organization of associated labor are an approximately objective quantity, although it is clear that to a very high degree they depend on economic efficiency, productivity and the profitability of business operation. The difference between that and the producers' price is referred to as income.

Do we have a single Yugoslav conception of income as a quantitative category? Are there parameters or criteria pertaining to the size of income per worker--within the spread of course where the better results of business operation could show up? Can it be correct for certain resources of society to be turned over for management to one organization of associated labor, in actuality to one group of people, so that it, in a tie-up with its respective sociopolitical community, but without Yugoslav plans and criteria, compels society as a whole to accept any size of income which it has built into its prices?

The Artificial Hiking Up of Income

We are asking for too much. That would mean that we had a single price policy, and it simply does not exist.

The figures which follow show the income per worker realized in 1984 in certain significant activities.

<u>Indicator</u>	<u>In Thousands of Dinars</u>
a) Highest income	
Petroleum and gas production	9,512
Pipeline transport	7,203
Production of petroleum products	4,274
b) At the level of the average for the entire economy	
Metal manufacturing	931
Rubber manufacturing	918
Food manufacturing	903
c) Among the lowest	
Nonmetals industry	745
Lumber and wood sheets	738
Finished textile products	724
Finished wood products	642
Production of building materials	630
d) Economy--average	935

In this short article it is not possible to offer any very extensive survey of all 78 lines of business, the number covered by the survey done by the Social Accounting Service concerning basic financial results of business operation on the basis of year-end statements for 1984. We will merely single out certain questions.

The three activities with extremely high income per worker embrace the petroleum complex, i.e., petroleum and gas production and refining and then their transport by pipeline. All these activities are almost exclusively engaged in production for the domestic market.

The high organic composition of capital certainly operates here so that the income per employee must also be high, but that is not even approximately the case in the electric power industry, ferrous and nonferrous metallurgy, the heavy chemical industry, or air transportation, where the organic composition is also very high. For the sake of comparison we should look at the figures on the ratio of income earned to average business assets employed.

The extremely large size of income per employee in the petroleum complex is not the result of conscious and carefully calculated commitments in price policy. It is primarily a question here of erratic investments in greatly oversized petroleum refineries, petroleum pipelines, the petrochemical industry, and so on, whose consequences are extremely grave from the standpoint of cost inflation. The numerous mistakes or half-mistakes, some involving joint ventures with foreign trading partners, necessitate an amount of "income" which will be able to cover the exceptionally high level of domestic and foreign credit obligations.

Similarly, we also see an artificial boosting of income in other "heavy" activities, such as in a segment of ferrous metallurgy, nonferrous metallurgy, the chemical industry, and so on, where we encounter major investment mistakes.

It is not that the right thing now would be to close down the refineries, the oil pipelines or metallurgical plants, but it is certain that their construction has to be dealt with through a single Yugoslav program.

Capacity utilization in the production of petroleum products (refineries) has been falling off sharply. Here it is:

1978	1979	1980	1981	1982
91%	87%	82%	73%	74%

It is a surprising fact that oil pipeline capacity is incomparably greater than actual utilization.

Yugoslav consumers of petroleum products and gas have been compelled to pay any price which assures these activities "income" adequate to cover their numerous investment mistakes as well as the very sizable local investments which are being charged to the revenues of the petroleum industry. The Federal Executive Council has allowed prices of petroleum products to be adapted to the depreciation of the dinar, that is, to devalue the dinar for the same purposes and on the same grounds. Thus in 1984 we see that the prices of petroleum products in our country recorded immense rises, although imported petroleum was obtained at prices 1 percent lower than in 1983. That brings us to the paradox that current losses in petroleum and gas production did not occur in 1984, while in the production of petroleum products (refineries) they amounted to a symbolic 0.09 percent of gross income.

At the same time net personal income per worker in pipeline transport in 1984, which was 36,850 dinars a month, was the highest after air transportation (pilots) and about 60 percent higher than the average for the economy. The situation is quite similar in other activities within the petroleum complex as well.

The Helpless Market

At the other pole we can take the wood complex as an example. Here the production of lumber and wood sheets in 1984 earned an income of only 738,000 dinars per worker, while production of finished wood products (furniture and the like) earned only 642,000 dinars. These are exporting businesses to a considerable extent. Capacity utilization is considerably better than in petroleum refining, but net personal incomes, at the level of 19,500 dinars a month per worker, are about 16 percent less than the average for the economy.

Fiscal policy (federal, republic-province and opstina) adds its own taxes to this differentiation of the positions of the various lines of business. In October 1984 the retail price of the products of the businesses which we have taken here as an example of the confusion that prevails in the price field had the following content (in percentages):

<u>Indicator</u>	<u>Purchase Price of Trade Sector</u>	<u>Price Differ- ence (margin)</u>	<u>Turnover Tax</u>
Housewares, furniture and the like	70.1	12.0	17.9
86-octane motor gasoline	46.5	2.3	51.2
98-octane motor gasoline	49.9	2.5	47.6
Motor oil	69.8	4.2	26.0
Gas oil	56.3	2.9	40.8

The fiscal bite in retail prices intended to cover noneconomic expenditure increases in direct proportion to those producers' prices which are unnaturally high because of erratic investment!

The major mistakes in investment projects are one of the principal causes of inflation. We should also see them as the greatest culprit responsible for the country's excessive foreign debt.

The stubborn resistance to removal of price disparities, which is one of the basic goals of the Long-Range Economic Stabilization Program, is related to the phenomena described above. Bringing prices into approximate parity, which means reducing the income they contain, would leave some of the most important activities unable to hike up prices uncontrollably and to pass on their own cost inflation to the entire helpless market. To plead for the inalienable right of the workers to dispose of income which has come about in the old way we have described is actually a demand both for the freedom to make erratic new investments and also for continuation of unjustified differences in personal incomes.

It is in that light that we should see the opposition that has been rising up after the recently adopted conclusions of the Presidium of the LCY Central Committee concerning the directions for changes in the domain of personal incomes and capital formation, that is, income as a whole.

The conclusions of the Presidium envisage among other things introduction of the following principles: a) there has to be a certain ratio between direct expenditure and capital formation; b) there has to be an approximate parity between gross personal incomes for the same quantity and quality of labor; c) in addition to the basic personal income, there must be an additional personal income if it is allowed by the actual income of the organization of associated labor, but that distribution is to be made according to certain criteria.

Both in practical and theoretical terms this set of principles governing the distribution of income should be looked on favorably.

It is no longer possible to postpone the establishment of social standards governing capital formation in terms of its ratio to direct expenditure. The beneficial consequences would be manifold. This would be a way of gradually taking the economy out of debt and building up its self-financing. The planning of economic development would be given a firm foundation, since capital formation would not figure as an uncertain remainder of income. The anti-inflationary effect would be unquestionable, since we would have a favorable impact exerted on the structural factors of inflation.

In his Critique of the Gotha Program, in which he sets forth his famous diagram of the distribution of the social product, Marx gives capital formation the most important place. Out of the entire social product he understandably first sets aside what is necessary to reimburse the expended means of production, and immediately thereafter, before all else, comes "an additional portion for expansion of production."

The Drift Toward the Inadvisable

We should not assume that the ratio of capital formation to gross personal incomes set by society must be the same for all lines of business. Selective rates could reflect development priorities, provided that price policy takes this into account.

The management of the capital surplus persists as a greater problem. The commitments to economic laws in the use of investment capital should be in the foreground, since otherwise it is not possible to implement the principle of self-management. However, the drift toward the inadvisable, which is always possible when the signals at the market are taken as the sole basis, has to be averted. The vigorous role of the plan and of instruments which on its basis encourage or discourage particular investment directions and purposes can essentially contribute to the strengthening of a decentralized self-managing economy. Otherwise only resorting to reserve funds, to emergency financial aid or to bankruptcy will soon prove to be a repertoire which breaks down in the face of the impossibility of closing down any great number of factors or laying off workers.

The second principle, that is, the approximate parity of gross base personal incomes for the same quantity and quality of work, is clear in and of itself if we take the results of work as the basis in distribution. The present disparities are simply intolerable both from the economic and from the social standpoint. There remains the question of measuring the quantity and quality of work, but we will leave that to incomes policy. Any improvement over the present situation would be welcome. Certainly market affirmation of success must be the primary factor in the measurement.

It may seem unusual, but the policy of parity in gross personal incomes is much better suited to real self-management relations in distribution than the present social compacts and self-management accords for the various sectors, lines of business or regions, which are arbitrary and to a large degree are bureaucratically imposed.

We should take into account the possibility of a certain flexible establishment of the parities of gross personal incomes in view of the specific characteristics of the place where the incomes are realized and where the workers [original reads "where the workers are formed and where they live"].

In the Critique of the Gotha Program appropriations for the "general costs of management which pertain to production" and then for "what is intended for joint satisfaction of needs" (schools, health institutions and the like), and for "funds for those unable to work" come ahead of "that portion of resources for consumption divided among the individual producers of the collective." Implicitly this should mean that firm limits have been set on government and social service expenditure, and they would not be able to rise outside those limits. In our case today, by applying fixed automatic contributions on personal incomes, it is possible for this kind of consumption to realize much greater resources than would be justified by any proportions fixed in advance. Resorting to administrative immobilization of such surpluses does not solve the problem of their impact on cost inflation. We should understand, then, that contributions for government and social service expenditure are contained only in the base personal incomes, but not in those which exceed that.

The third principle, that is, the additional personal income if it is available in the income earned, ought to stimulate the organization of associated labor to operate as efficiently as possible both in its own internal economy as well as on the market. Creative work, innovation, improvement of business operation and the like could be given a strong point of support here.

We have raised only some of the key issues concerning income and distribution, but also concerning prices and inflation. They should be discussed "sine ira et studio" [without anger and predisposition], as the Latin saying goes.

7045

CSO: 2800/440

YUGOSLAVIA

PROBLEMS OF LAND POLICY, FARM SIZE REVIEWED

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo-Croatian No 6, Jun 85 pp 37-41

[Article by Milutin Tijanic: "Inconsistencies in Conducting Land Policy"]

[Text] Even though agriculture's importance has long been well known, and that role pointed up and emphasized once again, now that society is endeavoring to carry out the Stabilization Program, there are quite a few inconsistencies, inappropriate measures, and indeed even anachronistic practice in carrying out the global conception of socialist transformation of rural life and of agriculture. These inconsistencies are especially manifested in the conduct of land policy, which would seem to be the most important segment of the entire conception of the socialist transformation of rural life and in the creation of conditions for increasing agricultural production.

Large Changes and Anachronistic Land Policy

Over the last 30 years or so, which have been characterized by accelerated industrial development and development of other kinds, large socioeconomic and demographic changes have been taking place in Yugoslavia's countryside and indeed are still taking place. Over the period from 1960 to 1981, 6,758,000 people left rural areas and agriculture permanently and moved to the cities and into industry if we also count the natural population growth. Under the influence of these changes (read: economically motivated migration) there has been a reduction in the number of food producers ("working hands") in rural areas, while in the cities there has been a rapid growth in the number of purchasers or consumers of agricultural products. These markedly rapid movements, which have also brought about changes in the way of life of those who until yesterday were food producers, have worked for an unanticipated growth of food consumption. After all, the movement to cities also involved those rural inhabitants who obtained their agricultural products from their own farm and in the cities became purchasers of food on the market. Since the changes which have been indicated here superficially were not accompanied in good time by appropriate measures of economic, farm and land policy, we have experienced ever more frequent discrepancies in agricultural stocks and an ever greater

gap between the demand and supply concerning foodstuffs. For years the supply has been unable to keep up with the demand that has been manifested, and even now occurs occasionally in the irregular supply and shortages of certain of the most important farm products and food products on the market. The greater the distance between the native village and the city and industrial collective to which rural inhabitants migrated, the more rapidly agricultural production died out.

Since in the first phase of migration the "newborn" workers in the cities were able to live decently with less work (than up to that time in their native villages) and since travel and communications between rural areas and cities were undeveloped--many rural households ceased to exist, and the villages were deserted. Since, as we have said, the social and economic changes were not accompanied by appropriate measures of farm policy, in many villages there was no one to take over the use of the production capacity that had been abandoned.

Even under those circumstances social commitments were in place which could have served as the basis for conducting a more optimum and vitalizing policy toward rural life and its production capacity over the last 25 years. For example, back at the 9th Plenum of the Socialist Alliance of Working People of Yugoslavia it was envisaged that the share of socially owned land in total cropland be increased to 30 percent by 1985. When new plans were presented and socioeconomic and political commitments adopted, it was assumed that the legislation on the right to inherit cropland would be amended in the coming period. Amendments of that legislation was also taken for granted at the 10th LCY Congress. The Resolution on the Organization and Development of Agriculture and Rural Areas Consistent With Socialist Self-Management, which was adopted at the 10th Congress of the League of Communists of Yugoslavia in 1974, contained this passage:

"Party members in the republics, provinces and opstinas have an obligation to fight for legal regulation of the inheritance, possession and use of land so as to make it possible for the land to be used optimally from the standpoint of the public interest."¹

Although 11 years have passed since adoption of this precise political stand and commitment, land policy is being conducted in the republics and provinces just as it was earlier, that is, as though this resolution had not been passed. Slovenia is the honorable exception with respect to legislation on the inheritance of cropland, that is, of the farms of private farmers, and also with respect to creation of conditions so that land policy is more up-to-date. Although it is understandable that the specific features of the various regions and areas have to be respected, it is clear that there is no justification why we as a country still lack a uniform land policy.

Reverse Developments in the Landholding Pattern

As the number of farmers and the share of the farm population in the total population, which now averages less than 19 percent, decreased, it would have been normal to see a reduction in the parcels of cropland held by private farms and more successful creation of more favorable conditions for more

successful engagement in food production. This would be guaranteed by the increased size of the holdings on private farms. Unfortunately, the opposite processes with respect to the landholding pattern occurred in our agriculture and are still happening. One of the most important reasons why the conditions are being created very slowly for fuller use of the land as an objective condition and means of production lies in the outdated and, we would say, anachronistic land policy. The inheritance of cropland is at the center of that policy and its outdatedness. The inheritance of land and the adverse effect of this segment of farm policy are most evident in the slow [original reads "debatable"] increase in the size of the landholdings of private farms. This kind of policy prevents the stock of land in the socialized or cooperative sector from increasing.² The parcels of land are still getting smaller because of the legislation in effect concerning inheritance. As a matter of fact the land is being divided up in such a way that each parcel is literally being divided into the number of little patches of ground that corresponds to the number of children or other relatives who are possible heirs of the parents or other landowners. That is why it occurs in practice that the land is inherited by those heirs who long have had no connection whatsoever with rural life and food production. Some 5.12 million persons have abandoned the Yugoslav countryside and gone off to the cities and industry.³ A large number of these people have inherited cropland, and some will become heirs through inheritance proceedings. In a large number of cases the land will be inherited even by those heirs who have almost forgotten their parents and did nothing for the dwelling of their parents after they went off to the city.

As a consequence of the long-lasting division and the existence of free trade in land, the parcels have gotten smaller and smaller, and today private farmers own about 17 million parcels. The average size of the private farm is between 3.5 and 3.8 hectares, but that area consists of between six and seven separate and scattered parcels. Because of the fragmented nature of cropland it is not possible to make profitable use of up-to-date agricultural machines on the farms and to apply up-to-date soil and crop practices economically (Table 1).

Table 1. Landholding Pattern With Respect to the Amount of Cropland (number of farms and farm size in hectares)

<u>Indicator</u>	<u>Number of Farms</u>	<u>Share of Total Number, %</u>
Total number of farms in Yugoslavia	2,660,908	100.00
Without land	22,755	0.31
Less than 1 hectare	790,855	29.75
From 1 to 3 hectares	846,412	31.80
From 3 to 5 hectares	450,097	16.91
From 5 to 8 hectares	326,671	12.27
From 8 to 10 hectares	113,384	4.26
Over 10 hectares	126,110	4.73

The figure that only 22,755 farms in our country have cropland shows that our land policy is very out-of-date and because it is out-of-date cannot

objectively contribute to increasing the yields on private farms nor to larger agricultural production.

The table above shows that the number of farms possessing the 10-hectare maximum landholding is increasing slowly. The greatest obstacle to the increase in the number of farms in this category is the inheritance of cropland because the "homeplace" is broken up. Research shows that only about 865,000 of all the farms recorded as such in the statistics are used for farming, that is, tilling the land in order to realize income. The other landowners use it only as a sideline in order to obtain additional income. On that basis we might conclude that some of the responsibility for the slow increase in agricultural production are in fact borne by those inhabitants of cities and workers in industry and other nonfarm activities who possess cropland, but utilize it insufficiently or not at all. Likewise it might also be asserted and proven that we owe the results we have been achieving in agricultural production not only to the socialized sector, but to the 865,000 landowning farmers for whom farming is their permanent and sole occupation.⁴ Nor should we neglect the contribution to the development of food production made by some of the mixed households. That is why the conditions should be created in the coming period for those farms (whose number has been increasing year after year) to increase their agricultural production. In our opinion this can be best achieved through the development of small business in rural areas. So-called "big business" can contribute to this by building small factories in rural areas, which will work toward small business's becoming a factor for development of agriculture and will tend to halt any further exodus of rural population to the cities, especially young people.

It is interesting that in our country there has been no reduction in the number of farms, or more accurately, the number of owners of cropland, over the last 50 years. The table below shows the trend in the number of farms (Table 2).

Table 2. Trend in the Number of Farms

Year	1931	1949	1960	1981
Number of farms	2,608,000	2,605,000	2,618,000	2,660,908

These figures show that our land policy has also been greatly burdened with traditionalism. Even in years when people left rural areas for the cities and industry at the greatest rate, between 1949 and 1960, and when the number of farms might have been expected to decrease, this did not happen. What is more, their number has been constantly increasing and reached a maximum at the beginning of this decade. It is significant that no increase occurred in the number of farms (read: privately owned landholdings) through the clearing of undeveloped forest or mountain land or through reclamation of swamps, but rather it occurred exclusively through the division of landholdings inherited from parents, which is a consequence of the outdated legislation concerning the right to inherit land. The consequences of this are manifested in the cadastre, which is in a state of disarray. It has been calculated that because of the frequent divisions and inheritance in our country there are about 45 million tiny pieces of cropland recorded in the land records.⁵ This land has

been so fragmented and is in such a disordered state that it is unsuitable for organizing any sort of large-scale agricultural production.

The Slow Growth of Socialized Land

Since on the basis of our legislation all the heirs have been inheriting the land of the private farmer, over the period since the war the potential for increasing the amount of cropland in the socialized sector has been decreasing. For example, between 1950 and 1960 farms in the socialized sector increased their cropland by 21,400 hectares a year. Over the period from 1960 to 1970 the growth of socially owned land was 69,400 hectares a year. The amount of land in the socialized sector grew more slowly in the period from 1970 to 1975. In that period the stock of socially owned land increased 36,000 hectares a year. Purchases have been the principal way in which the landholdings of the socialized sector have increased. To this we should add that between 1960 and 1975 175,000 hectares of previously uncultivated land were developed, but this is land that was already in the socialized sector.⁶

These figures show that in our context there have not been, nor are there now the conditions for increasing the amount of landholdings of the socialized sector so that the pieces of land for which there is no heir would automatically go into the socialized sector of agriculture. This growth of land in the socialized sector might have been expected in view of the fact that land is a resource of general public importance.

Legislation on Inheritance of Land Has To Be Amended

The last census, which was taken in 1981, shows, and the demographer's research confirms it, that the farm population has been altogether transformed and biologically devitalized from the social and economic standpoints. Even toward the end of 1990 the share of the farm population in our country's total population will drop from the present 19 percent to 17 percent. The share of the farm labor force in the total labor force, it is projected, will amount to only 14 percent. Because of further deagrarianization, toward the end of this century there will be a still further reduction. This is confirmed by Table 3.

Table 3. Projection of the Trend of the Farm Population* up to 1991 and the Year 2000, in thousands

<u>Indicator</u>	<u>1961</u>	<u>1971</u>	<u>1981</u>	<u>1991</u>	<u>2001</u>
Farm population					
Total	9,197.6	7,519.9	4,278.0	3,300.0	2,500.0
Labor force	4,691.7	3,903.0	2,487.3	1,800.0	1,300.0
Dependents	4,509.9	3,612.9	1,790.7	1,500.0	1,200.0
Share of farm population in total population, %	49.6	37.9	19.9	14.0	9.7
Share of farm labor force in total labor force, %	56.2	47.0	26.6	17.5	11.6
Labor force participation rate of farm population, %	51.0	51.9	58.2	54.5	52.0

* Study done by the Institute for the Economics of Agriculture in Belgrade.

These projections show that by the end of this century there will be a further reduction in the share of the farm population in our total population. That reduction will occur even though it is more difficult to obtain jobs in the socialized sector of the economy and even though there are now more than 1 million unemployed on the rolls of self-managing communities of interest for employment security in our country.⁷

Since the rural population will continue to get older and since even now rural manpower is characterized by an unfavorable composition with respect to qualifications and a poor state of health, and a large number of villages have been hurt by the processes of depopulation and devitalization, this is a reason why political action and the conclusion of self-management accords should achieve general agreement to amend the legislation regulating the right of inheritance of cropland.

From the social and economic standpoint, on the basis of experience gained in the most highly developed countries of the West, there is every prospect that in our context it would be most expedient and acceptable for cropland to be inherited from parents or other relatives by those heirs for whom agricultural production is a permanent occupation.

The estimates given in the Long-Range Economic Stabilization Program also show that the inheritance of cropland should be regulated in a new way and should be aimed at creating the conditions for larger agricultural production and for lowering costs. That document states that the land is continuing to be inherited not by agricultural producers, but by those who have long ago left rural areas and who have no connection with agriculture whatsoever.

The traditional inheritance of cropland and its passage into the possession of those for whom food production is not their permanent employment gives rise to various contradictions. It is paradoxical, for example, that even today the inheritors of the "father's" farm who have worked since they were children and who in future desire and wish to work on that land, who have preserved its fertility and who have invested their own labor (read: sweat) in it and have not allowed the fields to grow up in weeds, which can often be seen in the fields of a large number of villages, are exposed to great material and moral pressures and all sorts of other unpleasantness.

The present legislation on inheritance of land is doing great injustice to young farmers of the future. The heirs of the land who have decided that in future farming will be their principal and sole occupation are forced to pay immense sums to their brothers and sisters or other relatives in order to hold on to their "father's farm." They incur high costs in inheritance proceedings. That is why these heirs end up in an economically unfavorable position (although they have been cultivating their father's land for years) than the other heirs who are employed in the city, and in a particularly unequal position by comparison with those heirs who make their living who knows how and work in cities and for all practical purposes have no connection whatsoever with rural life and agriculture.

The Benefits

Many benefits could be obtained from changing the system for inheritance of cropland. First of all, the opportunity would be created for overcoming the present practice whereby "you do not become a peasant, but remain one." In and of itself that would have a constructive impact on the moral and psychological state of those heirs of farmland who would like to opt for agriculture. This would actually mean that the system of inheritance would guarantee that conditions are created for the true agricultural producers, for whom intensive cultivation of the land will be their occupation, under which they will inherit the land, farm buildings and livestock, "which would prevent further fragmentation of the holdings and would give social recognition to peasant labor."⁸ In that way the well-known principle of "land to the peasants" would begin to be carried out in practice, and a new fragmentation of parcels owned by private farmers would be halted.

As is well known, in many regions of our country a beginning has been made to regularize the land of private farmers through consolidation proceedings. The purpose of this measure is to create opportunities for better cultivation of the land and reduction of production costs without touching the right of ownership. Consolidation also contributes to increasing the area in the socialized sector as rural roads are built and boundaries, hedges, fences and field paths are removed. This campaign is receiving political and moral support and financial aid from opstinas, regions, republics and provinces. If consolidation as an economic, organizational and technological measure is to be able to contribute over the long run to augmenting agricultural production and if it is to be possible in the larger tracts of land to introduce crop rotation as a biological and agrotechnical measure even on the parcels of private farms, there has to be legislation which regulates the rights of land inheritance to make this possible, which is not the case now. Without these changes and unless further fragmentation of the land through division is prevented, in a few years there will be another division and fragmentation of those parcels which have been formed into larger tracts and "brought together" in one place at private and public expense and through public action in recent years through consolidation in village fields and in cadastre townships. After all, objectively speaking after the disappearance of those owners who are now enthusiastically adopting consolidation as an economic measure which affords them the possibility of reducing the number of idle hours and loss of time--if nothing changes in the field of land inheritance law--the "consolidated" fields will again begin to be divided and broken up into the number of new parcels which corresponds to the number of heirs of the present owners of the "large" field. That will nullify [original reads "guarantee"] both the public campaign and the money of private farmers and the public community invested to carry out the plans for land consolidation. Incidentally, there is no basis now for prohibiting another division of land which has been involved in consolidation proceedings when that land changes owners and when it is possessed by the new heirs on the basis of the right of inheritance. What is more, it is not even possible to prohibit the sale of land in fields or cadastre townships affected by consolidation. On the basis of the present legislation no one can prevent the heirs of land from building a house to live in or a weekend cottage in the fields in areas on which land consolidation has been carried out.

The Land Is a Resource of Particular Public Importance

The example of land consolidation and the uncertain future of that land shows that the conditions are right for regulating the right of land inheritance in a new way that is socially more beneficial and economically more efficient. Amendment of legislation on the inheritance of land would help to confirm in practice our well-known and widely accepted sociopolitical commitment that the land is a public resource of particular importance. The social climate would thus be created in which those who remain on the farms of their parents would have long-term security. It would encourage the heir of the farm and land to attend school in good time and obtain the professional competence so that he could increase the production of food on his farm by applying science and up-to-date soil and crop practices. Since many farms will not have an economic heir, and some do not have one even now, amending the legislation on the right of inheritance of land would create conditions so that the land of those farms would be inherited by society at large, that is, by the cooperatives or combines. This would mark the beginning of creating the conditions under which it would be normal for the area of land that is socially owned to increase as the rural and farm population decrease. That would overcome the practice whereby land in a village is inherited by a relative who lives who knows where in the city and who immediately gets rid of that land by selling it, because he does not know how to farm or is unable to engage in farming. What is particularly important is that the public community would no longer be compelled to set aside immense funds for purchasing land in order to expand the area held in the socialized sector of agriculture. The amendment of this legislation would also help to change many customs in rural areas and the private sector of agriculture which have been superseded. Conditions would be created for more rapid growth in the number of those private farms who could increase their cropland to 10 hectares, which is now going very slowly in all regions. Those farmers who inherited the cropland on the basis of their occupation would in future not be forced to pay their relatives large amounts of money for the portion of the inheritance "belonging to them" when they decide (which all do for understandable reasons) to hold on to the homeplace. If this legislation were amended, the land would be used better and more optimally, and the opportunities would be created for more rapid growth of yields and total production in the private sector of agriculture. Amendment of the legislation on the inheritance of land would mean that many potential heirs would no longer have a legal opportunity to inherit the land in the total area they can now inherit, and for that reason they would bind up their existence over the long run with work in associated labor. There would also be cases in the opposite direction out of a desire to hold on to the land or to inherit it. Some of the workers with quite low personal income would probably decide to go back to the village and to agriculture.

In our country even now more than 40 percent of the farms lack an heir who could engage permanently in agriculture. It is natural, then, for their land to be inherited by cooperatives and combines rather than by quite distant relatives, which is now the case. That is why amending the legislation on the right of inheritance of land should create the conditions in which farmers and households inhabited by the elderly would have lasting economic and other security. This could be achieved by building a unified system of old-age and disability insurance for all private farmers.

Under the new conditions agricultural cooperatives should take over the role of concentration of socially owned land. They would thus be once again in a position of establishing farming operations or farms of their own.

Although the benefits that would result from amending the legislation on the right of inheritance of land are more or less well known, little has been done so far to amend them or adapt them to the requirements of the times and to the interests of the country's social and economic development.

It is obvious that varied resistance and interest oppose the changes that would overcome the anachronistic land policy. That is why they should be discussed in sociopolitical organizations and respect paid to the opinions of professional circles and the interests of private farmers.

In professional circles it has long been known that unless legislation on the right of inheritance of cropland is amended, the conditions cannot be created for fuller utilization of our country's entire agricultural wealth. It is also well known that unless the process of further fragmentation of cropland is halted, it will not be possible with smaller investments to increase production more rapidly in the private sector of agriculture, which is an important prerequisite for carrying out the stabilization program in agricultural production as a whole.

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